Southeast Corridor LRT
Houston, Texas
Final Design
(Based upon information received by FTA in August 2009)

Summary Description	
Proposed Project:	Light Rail Transit 6.5 Miles, 10 Stations
Total Capital Cost ($YOE):	$822.91 Million (includes $55.6 million in finance charges)
Section 5309 New Starts Share ($YOE):	$450.00 Million (54.7%)
Annual Forecast Year Operating Cost:	$12.50 Million
Ridership Forecast (2030):	28,700 Average Weekday Boardings 4,500 Daily New Riders
Opening Year Ridership Forecast (2013):	17,200 Average Weekday Boardings
Overall Project Rating:	Medium
Project Justification Rating:	Medium
Local Financial Commitment Rating:	Medium

Project Description: The Metropolitan Transit Authority of Harris County (METRO) is proposing to construct a light rail transit (LRT) line from the Houston central business district (CBD) to the Palm Center in the vicinity of Martin Luther King, Jr. Boulevard/Griggs Road. The proposed LRT line would operate in semi-exclusive guideway with limited mixed traffic operations. The majority of the LRT line would operate at-grade (6.42 miles), while the remaining 0.14 miles would be elevated to avoid existing waterways. The project includes the purchase of 29 light rail vehicles and construction of a storage/wash facility. Service would operate every six minutes during peak and off peak periods, including weekends, and would provide a transfer to the existing METRO Rail Red Line via the existing Main Street Square station in the CBD. No parking spaces would be built as part of the project. The proposed Palm Center terminus would be adjacent to METRO's existing Southeast Transit Center, which includes a 1,100-space park-and-ride lot. The project would be the first operable segment of an LRT line that METRO plans to eventually extend to Hobby Airport.

Project Purpose: The corridor is bounded to the east by Interstate 45, one of the most heavily-traveled freeways in the nation; to the west by State Highway 288; and to the south by Interstate 610. The corridor includes a major portion of downtown Houston, including its commercial core and growing residential population. The corridor's street network is discontinuous and does not provide sufficient connectivity to major activity centers. Although the frequency of corridor bus service is high, many of the routes are circuitous with many stops so that transit travel times are not competitive with auto travel.

Project Development History, Status and Next Steps: FTA approved the project into preliminary engineering in March 2008. FTA and METRO completed a supplemental Final Environmental Impact Statement in May 2008. FTA issued an environmental Record of Decision in July 2008. The project was approved into final design in August 2009.

METRO will use an innovative project delivery method whereby a Facility Provider, comprised of a team of engineering, construction, construction management and vehicle manufacturing firms, will complete design, finalize the construction phasing approach, and expedite construction of several rapid transit lines throughout Houston. The Facility Provider will also be responsible for operation and maintenance of the proposed LRT line.

In September 2010, following an investigation of METRO's light rail vehicle (LRV) procurement plan, FTA found that METRO violated Federal Buy America and procurement rules and directed METRO to develop a new plan for LRV procurement. METRO is complying with FTA's directive and plans to provide FTA with an updated New Starts submission by March 2011. Thus, the rating described herein reflects conditions as of August 2009, when the project was approved into final design.

Locally Proposed Financial Plan		
Source of Funds	**Total Funds ($million)**	**Percent of Total**
Federal: Section 5309 New Starts	$450.00	54.7%
Local: METRO Dedicated Sales Tax	$372.91	45.3%
Total:	**$822.91**	100.0%

NOTE: The financial plan reflected in this table has been developed by the project sponsor and does not reflect a commitment by DOT or FTA. The sum of the figures may differ from the total as listed due to rounding.

TX Houston, Southeast Corridor LRT
FY2011 Financial Assessment Summary prepared November 2009

Factor	Rating	Comments
Local Financial Commitment Rating	**Medium**	
Non-Section 5309 New Starts Share (20% of summary financial rating)	**Medium-High**	Section 3043(h)(1) in SAFETEA-LU states, “for the purpose of calculating the non-Federal share of the net project cost of any new fixed guideway capital project currently included in the Advanced Transit Program (“Metro Solutions Plan”) sponsored by the Metropolitan Transit Authority of Harris County, Texas, the Secretary shall include $324,000,000 in State and local funds expended for the design and construction of the Red Line Light Rail Transit system that operates in Harris County, Texas.” METRO has decided to apply $162 million of its contribution to the Red Line as credit toward the Southeast Corridor LRT project. Application of the credit allowed for in the legislative language lowers the New Starts share to approximately 49 percent. The credit increases the share rating from *Medium* to *Medium-High*.
Project Capital Financial Plan (50% of summary financial rating)	**Medium**	
Capital Condition (25% of capital plan rating)	Medium-Low	The average age of METRO’s bus fleet is 8.8 years, which is slightly older than the industry average. METRO has no outstanding debt. Therefore, no bond ratings have been issued.
Commitment of Funds (25% of capital plan rating)	High	METRO’s sales tax revenues, which are existing and committed, will cover the entire non-New Starts share of the first minimum operable segment of the Southeast Corridor LRT project.
Capital Cost Estimates, Assumptions and Financial Capacity (50% of capital plan rating)	Medium	Assumptions on sales tax growth, inflation, and Federal funding are reasonable compared to historical experience. The capital cost estimate is reasonable.
Project Operating Financial Plan (30% of summary financial rating)	**Medium**	
Operating Condition (25% of operating plan rating)	Medium-Low	METRO’s current ratio of assets to liabilities, as reported in its most recent audited financial statements, was just over 1.0 in FY 2008. METRO’s transit services have increased in the last five years.
Commitment of Funds (25% of operating plan rating)	High	Over 75 percent of operating funding, including fare revenues, sales tax revenues, operating grants, miscellaneous revenue (advertising and ID card fees), and interest income, is committed.

O&M Cost Estimates, Assumptions, and Financial Capacity (50% of operating plan rating)	Medium-Low	Projections of growth in operating and maintenance costs and farebox revenues are optimistic compared to historical experience. The financial plan shows projected cash balances exceeding 25 percent of annual operating costs.

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(Land Use and Economic Development Rating based upon Information accepted by FTA November 2008)

LAND USE RATING: Medium-Low [1]
Existing Land Use: Medium-Low (One-third of Land Use Rating)
The land use rating reflects the population and employment densities within ½-mile of proposed station areas. • Outside of the high-density CBD, most of the Southeast Corridor is characterized by low-density commercial, light industrial, and mixed residential development laid out on a grid pattern of streets. • Pedestrian access is hindered by drainage ditches, wide streets, a lack of curb cuts, expansive parking lots, and in some cases, missing sidewalks. Two universities are present, with many of their athletic facilities, housing and academic buildings within a half mile of the proposed alignment. • Station area population densities rate "low" by FTA benchmarks, averaging 3,200 persons per square mile. A total of 150,000 jobs are located in proximity to the corridor's stations, mostly in the Houston CBD, which has a total employment of 130,000.
Transit-Supportive Plans and Policies: Medium-Low (One-third of Land Use Rating)
• Limited efforts have been made at regional planning and growth management. In 2005 the Houston-Galveston Area Council (local metropolitan planning organization) joined with the citizen-led Blueprint Houston to undertake Envision Houston Region, an initiative designed to create a regional "vision" for the future growth of the area. The results informed the long-range transportation plan update but have not led to further implementation activities to shape regional land use patterns. • Some station area planning activities have been initiated. METRO is undertaking a Station Area Work Program to address barriers to station area development, tools to leverage development, and policy for the development of each station area. The City of Houston is developing an Urban Corridor Planning Ordinance, which will provide a planning framework for development in high capacity transit corridors and in specific station areas. METRO has established a joint development/transit-oriented development program that will initiate specific development projects. • The City of Houston is not zoned. Private deed restrictions are often used for both residential and commercial land development to ensure that standards for land use are maintained, but many of the neighborhoods in the Southeast Corridor lack such covenants. Plans for two Tax Increment Reinvestment Zones in the corridor include design guidelines to promote a more densely developed, pedestrian-friendly, walkable environment, but do not identify implementation mechanisms aside from financing infrastructure improvements.
Performance and Impacts of Policies: Medium (One-third of Land Use Rating)
• Local officials believe the existing Red Line, which opened in January 2004, has been a catalyst for residential and commercial development in the city's downtown and Midtown areas. However, aside from a significant amount of townhouse development just east of the CBD there is no evidence to date of transit-supportive development in the Southeast Corridor. • Strong growth is forecast for the corridor and small and large vacant and underutilized lots throughout the corridor provide additional development potential, if land use policies and market forces can be aligned.

[1] The revised weighting of the project justification criteria that took effect in July 2009 does not apply to this project. Per FTA's 2006 *Final Guidance on New Starts Policies and Procedures*, once a project has been approved into final design, the project is not subject to any changes in New Starts policy, guidance, and procedures. Thus, the two Economic Development factors are considered as part of the Land Use summary rating, as they were prior to July 2009, and Economic Development does not receive a separate rating.

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